

Message Text

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ACTION AF-10

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FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 8566
INFO AMCONSUL IBADAN
AMCONSUL KADUNA

C O N F I D E N T I A L LAGOS 6410

E.O. 11652: GDS
TAGS: OVIP, ENRG, NI
SUBJECT: FMG LEADERS TO VISIT WASHINGTON AFTER OPEC CONFERENCE
TO DISCUSS LNG AND OTHER ENERGY ISSUES

1. MINISTRY OF EXTERNAL AFFAIRS INFORMED EMBASSY LATE MAY 19 THAT CHIEF OF STAFF BRIGADIER SHEHU YAR ADUA, ACCOMPANIED BY COMMISSIONER FOR PETROLEUM COLONEL MUHAMMED BUHARI AND COMMISSIONER FOR EXTERNAL AFFAIRS BRIGADIER JOSEPH GARBA, WOULD LIKE TO VISIT WASHINGTON FOLLOWING JUNE 15-20 OPEC MINISTERIAL MEETING IN GENEVA TO DISCUSS LNG WITH SECRETARY OF DEPARTMENT OF ENERGY JAMES SCHLESINGER. MEA SAID TRIO WOULD LIKE TO CALL ON SCHLESINGER ON JUNE 30 OR JULY 1 AND ASKED EMBASSY TO ASCERTAIN IF THIS WOULD BE CONVENIENT AND TO CONFIRM DATE.

2. DEPARTMENT WILL RECALL THAT BUHARI WAS PRESENT DURING TALKS BETWEEN PRESIDENT CARTER AND GENERAL OBASANJO ON SUNDAY, APRIL 2 AND THAT WHEN SUBJECT OF OIL CAME UP OBASANJO TOLD BUHARI HE SHOULD GO TO WASHINGTON SOME TIME. PRESIDENT CARTER AGREED AND SUGGESTED BUHARI SHOULD TALK TO SECRETARY SCHLESINGER. MEA AND NIGERIAN NATIONAL PETROLEUM CORPORATION, OF WHICH BUHARI IS CHAIRMAN, HAVE BEEN PURSUING ARRANGEMENTS FOR SUCH A VISIT THROUGH NIGERIAN AMBASSADOR JOLOASO IN WASHINGTON. ADDITION
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OF YAR ADUA AND GARBA INDICATES THAT FMG TAKING PRESIDENT CARTER'S SUGGESTION VERY SERIOUSLY AND ATTACHES GREAT IMPORTANCE TO LNG ISSUE.

3. EMBASSY SUBMITTING BY SEPTTEL DETAILED COMMENTS ON STATUS OF LNG PROJECT AND OTHER TOPICS WHICH ARE LIKELY TO ARISE DURING TALKS WITH SECRETARY SCHLESINGER. THESE INCLUDE: (A)

POSSIBILITY OF NEGOTIATING BILATERAL TREATY TO GOVERN OPERATION OF CONTRACTS FOR SALE OF NIGERIAN LNG TO U.S.; (B) POSSIBILITY THAT FMG MAY ASK U.S. G. TO CONSIDER EXCEPTION FROM PROVISIONS OF U.S. INTERNAL REVENUE CODE SECTION 902 TO PERMIT PHILLIPS PETROLEUM TO HOLD LESS THAN 10 PERCENT EQUITY IN LNG PROJECT AND STILL RECEIVE U.S. TAX CREDIT FOR NIGERIAN INCOME TAXES (ALTERNATIVE WOULD BE FOR FMG TO MAKE EXCEPTION TO ITS RULE THAT FMG MUST OWN 60 PERCENT OF INDUSTRIES IN MINERALS SECTOR); (C) WHETHER NIGERIA WILL BE AFFECTED BY RECENT INTERNAL REVENUE SERVICE RULINGS REGARDING NON-ELIGIBILITY FOR U.S. TAX CREDIT OF TAXES PAID BY U.S. OIL COMPANIES TO OIL PRODUCING GOVERNMENTS WHEN SUCH TAXES ARE CALCULATED AGAINST POSTED PRICES (THIS WILL INVOLVE TREASURY); (D) NEGATIVE ATTITUDE OF FMG REGARDING PURCHASES OF NIGERIAN CRUDE OIL FOR U.S. STRATEGIC RESERVE AND ITS EFFECT ON VISITS BY DEPARTMENT OF DEFENSE DFSC QUALITY INSPECTORS; (E) FMG POLICY WITH RESPECT TO DESIRED LEVEL OF FUTURE OIL PRODUCTION AND ITS IMPACT ON U.S. ACCESS TO SUPPLIES, AND CONVERSELY DOE PERCEPTIONS OF FUTURE U.S. DEMAND FOR IMPORTS OF LIGHT, SEET CRUDE OILS AND CONSEQUENT IMPACT ON NIGERIAN REVENUE AND DEVELOPMENT PLANS; (F) OIL PRICES; (G) OIL BARTER DEALS.

4. FYI GAP BETWEEN END OF OPEC CONFERENCE AND REQUESTED JUNE 30 CALL ON SECRETARY SCHLESINGER MAY BE FILLED BY TRIP TO BRAZIL WHICH WE UNDERSTAND FROM NNPC SOURCES BUHARI CONFIDENTIAL

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AND OTHERS WISH TO MAKE. NNPC SAID BUHARI ALSO HAD INVITATION FROM U.S. CHAMBER OF COMMERCE IN NEW YORK, AND HAD BEEN INVITED TO DELIVER KEYNOTE ADDRESS TO LUNCHEON MEETING OF WALL STREET SECURITY ANALYSTS ON JUNE 18. LATTER WOULD OF COURSE HAVE TO BE REGRETTED UNLESS LUNCHEON DATE CAN BE CHANGED. ACCORDING TO NNPC OFFICIAL, INVITATION CAME FROM JAMES E. CARTWRIGHT, EXECUTIVE VICE PRESIDENT, DANIEL AND CARTWRIGHT, 32 BROADWAY, SUITE 1314, NEW YORK 10004, TELEPHONE 212-425-8450. AF/W MAY WISH TO CONTACT CARTWRIGHT TO ASCERTAIN IF DATE COULD BE CHANGED.

5. PLEASE COORDINATE WITH DOE, TREASURY, AND AMBASSADOR JOLOASO AND ADVISE WHETHER PROPOSED DATES ACCEPTABLE. EMBASSY PETROLEUM OFFICER ATCHLEY IS DUE TO DEPART FOR WASHINGTON ON HOME LEAVE AND TRANSFER LAST WEEK OF JUNE AND WOULD BE PLEASED TO ASSIST WITH MEETINGS.
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